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GENERAL

1. US warns Dutch concerning Indonesia--Secretary Acheson has informed Dutch Foreign Minister Stikker that the American people and Congress regard Dutch actions in Indonesia as "wrong" and that this deep-rooted conviction gravely jeopardizes the continuation of ECA assistance to the Netherlands. The Secretary told Stikker that without a settlement in Indonesia there is no chance whatever of congressional authorization for military supplies to the Netherlands and declared that Dutch involvement in Indonesia might be the factor which would defeat the military assistance program as a whole. Stikker said that it would be incomprehensible to the Dutch people and Government if the Netherlands were placed on a different footing from other members of the North Atlantic Pact and that the Netherlands might have to reconsider the question of signing the Pact. Stikker indicated that the Dutch are willing to restore the Republican leaders to Jogjakarta, but not unconditionally. The Secretary emphasized in reply that not much time can be lost in getting on with the matter.

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Belgian Premier Spaak has advised Secretary Acheson that the only way to obtain favorable Dutch action on Indonesia is for the Secretary to tell Stikker exactly what concessions the Netherlands must make in order to obtain future US support in negotiations with the Indonesian Republicans. US representative Cochran in Batavia, in reply to a query as to what concessions he regards as essential, has reiterated that Dutch willingness to withdraw the army from Jogjakarta is the key to possible agreement in Batavia.

EUROPE

2. GERMANY: Review of US policy in Germany requested--US Political Adviser Riddleberger in Frankfurt believes that the events of recent weeks in western Germany indicate the necessity

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for a careful re-evaluation of US policy. According to Riddleberger, the unsatisfactory political situation in the western zones arises principally from the disunity of the western powers concerning Germany and is evidenced by mounting confusion, doubt, and disillusionment, particularly in connection with the slow formation of the west German government. Riddleberger points out that the strong desire for trade between west and east Germany, combined with a desire for political unity, produces a growing west German tendency to favor rapprochement with Communist-run east Germany. Riddleberger observes that west German responsiveness to Soviet peace and unity propaganda is much greater than it would have been some months ago.

(CIA Comment: CIA considers that the lack of agreement among the western occupying powers is the chief deterrent to progress on a west German state and that such disunity encourages German expectations of western concessions on the issue of centralization. Concerning the tendency to favor rapprochement with east Germany, CIA believes that even though west German conservative commercial circles desire eastern markets, the desire of west Germans as a whole for political unification on Soviet terms is weak. CIA does not believe that west Germans are very receptive to Soviet propaganda for "peace and unity.")

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